



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0425	Title:	Public notice for oil/gas leases on state land
Primary Sponsor:	Pomnichowski, JP	Status:	As Amended

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$1,420	\$2,877
Trust Administration Acct. (02)	\$26,736	\$26,736	\$27,404	\$28,090
ComSchool Permanente Fund (02)	\$0	\$0	\$75	\$151
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Trust Administration Acct. (02)	\$26,736	\$26,736	\$27,404	\$28,090
ComSchool Permanente Fund (02)	\$0	(\$26,014)	(\$26,664)	(\$27,331)
Guarantee Acct. (02)	\$0	\$0	(\$1,420)	(\$2,877)
Capitol Buildings (06)	(\$441)	(\$466)	(\$503)	(\$540)
University System (71)	(\$150)	(\$159)	(\$171)	(\$185)
State Reform School (02)	(\$43)	(\$45)	(\$49)	(\$52)
School for the Deaf and Blind (02)	(\$88)	(\$93)	(\$100)	(\$108)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>(\$1,420)</u>	<u>(\$2,877)</u>

Description of fiscal impact HB 425 requires the Department of Natural Resources and Conservation (DNRC) to accept nominations up to 77 days prior to its quarterly oil and gas lease sale. HB 425 also proposes additional requirements for advertising and notification related to the department's quarterly oil and gas lease sales. The bill requires the department to individually notify and provide a map to non-state surface owners of tracts being offered for sale.

FISCAL ANALYSIS

Assumptions:

1. The Minerals Management Bureau of the Trust Land Management Division of DNRC is responsible for conducting four oil and gas lease sales per year. The average number of tracts per sale is 200 for a total of 800 estimated tracts per year.
2. Additional notices and advertising would increase costs in this program as follows for each quarterly sale:
 - ads in newspapers for general and county circulation - \$6,632; and
 - first-class mail notices with maps to surface owners, including printing costs - \$52.
3. Annual costs are \$6,684 x 4 sales = \$26,736.
4. A 2.5% inflation factor was applied to costs in FY 2012 and FY 2013.
5. It is assumed that funding of the costs for the printing, contracted services, temporary personnel services, etc. would be covered by increased budget authority from the trust administration account (02938). The trust administration account is funded by a portion of the revenues generated by the trust beneficiaries shown in the table below. HB 425 reduces the amount of revenues for the trusts shown in the table. Common Schools mineral royalties are distributed to the School Facility Improvement Account through FY 2010 (per SB 495), and to the Common Schools Permanent Fund for FY 2011 through FY 2013.

<u>Trust</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Common School	\$26,014	\$26,014	\$26,664	\$27,331
Capitol Building	441	441	452	463
University of Montana	35	35	36	37
Montana Tech	11	11	11	12
State Normal School	101	101	104	106
MSU - 2nd Grant	3	3	3	3
State Reform School	43	43	44	45
<u>School for Deaf & Blind</u>	<u>88</u>	<u>88</u>	<u>90</u>	<u>93</u>
Total	\$26,736	\$26,736	\$27,404	\$28,090

6. HB 425 will decrease the fund balance of permanent trust funds, and as a result the interest revenue generated from these trust funds will be less. The table below shows the decline in revenue due to the decreased fund balance. The assumptions used in HJR 2 assumed a long term interest rate of 5.478% in FY 2010 and 5.748% in FY 2011. It is assumed that the long term interest rate will be the same in FY 2012 and FY 2013 as in FY 2011. For interest revenue calculations, it is assumed that the change in fund balance that will earn interest will not be noticeable until the following fiscal note.

<u>Trust</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Common School	\$0	\$0	\$1,495	\$3,028
Capitol Building	\$0	\$25	\$51	\$77
University of Montana	\$0	\$2	\$4	\$6
Montana Tech	\$0	\$1	\$1	\$2
State Normal School	\$0	\$6	\$12	\$18
MSU - 2nd Grant	\$0	\$0	\$0	\$1
State Reform School	\$0	\$2	\$5	\$7
<u>School for Deaf & Blind</u>	<u>\$0</u>	<u>\$5</u>	<u>\$10</u>	<u>\$15</u>
Total	\$0	\$42	\$1,578	\$3,153

7. The guarantee account is the first funding of school BASE aid. The decrease in guarantee account revenue available from this bill will increase general fund expenditures by an amount 95% of the Common School amount. There will also be a decrease in the transfer to the Common School Permanent Fund equivalent to 5% of the Common School amount. A decrease in the transfer to the Common School Permanent Fund from the distributable revenue would result in lower interest revenue, however this decrease would be small, and for fiscal note purposes it is assumed to be zero.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
Office of Public Instruction				
<u>Expenditures:</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$1,420	\$2,877
Guarantee Acct. (02)	\$0	\$0	(\$1,420)	(\$2,877)
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Department of Natural Resource and Conservation				
<u>Expenditures:</u>				
Operating Expenses	\$26,736	\$26,736	\$27,404	\$28,090
Transfers	\$0	\$0	\$75	\$151
TOTAL Expenditures	<u>\$26,736</u>	<u>\$26,736</u>	<u>\$27,479</u>	<u>\$28,241</u>
<u>Funding of Expenditures:</u>				
Trust Administration Account (02)	\$26,736	\$26,736	\$27,404	\$28,090
ComSchool Permanent Fund (09)	\$0	\$0	\$75	\$151
TOTAL Funding of Exp.	<u>\$26,736</u>	<u>\$26,736</u>	<u>\$27,479</u>	<u>\$28,241</u>
<u>Revenues:</u>				
ComSchool Permanent Fund (09)	\$0	(\$26,014)	(\$26,664)	(\$27,331)
School Facility Account (02)	(\$26,014)	\$0	\$0	\$0
Guarantee Acct. (02)	\$0	\$0	(\$1,420)	(\$2,877)
Capitol Buildings (05)	(\$441)	(\$466)	(\$503)	(\$540)
University System (71)	(\$150)	(\$159)	(\$171)	(\$185)
State Reform School (02)	(\$43)	(\$45)	(\$49)	(\$52)
School for the Deaf and Blind (02)	(\$88)	(\$93)	(\$100)	(\$108)
Trust Administration Account (02)	\$26,736	\$26,736	\$27,404	\$28,090
TOTAL Revenues	<u>\$0</u>	<u>(\$41)</u>	<u>(\$1,503)</u>	<u>(\$3,003)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	(\$1,420)	(\$2,877)
Trust Administration Account (02)	\$0	\$0	\$0	\$0
Guarantee Acct. (02)	\$0	\$0	\$0	\$0
ComSchool Permanent Fund (09)	\$0	(\$26,014)	(\$26,739)	(\$27,482)
Capitol Buildings (06)	(\$441)	(\$466)	(\$503)	(\$540)
University System (71)	(\$150)	(\$159)	(\$171)	(\$185)
State Reform School (02)	(\$43)	(\$45)	(\$49)	(\$52)
School for the Deaf and Blind (02)	(\$88)	(\$93)	(\$100)	(\$108)

Technical Notes:

1. Quarterly sales average 200 tract nominations, and may range from 100 to over 300 tracts.
2. For each quarterly sale, Section 1(3) establishes the department to publish in the various newspapers, at not less than 63 days and again between 21 and 35 days before the sale date. The department can not control the actual publishing date, particularly for the county weekly papers.
3. If SB 65 were to pass then DNRC would be allowed to deduct revenue from the common school distributable income, and would result in a larger general fund impact.
4. The House Appropriations Committee has amended HB 425 such that the intent of the legislature is that the requirements of HB 425 be conducted within the existing levels of funding.

Sponsor's Initials

Date

Budget Director's Initials

Date